Volume 12 No. 4, December 15, 2005

CHAIRMAN'S MESSAGE – Leonard Blocka

Coinciding with the approaching holiday season is the conclusion of the first six-month reconciliation period on January 31, 2006.

In this new market environment, with little room to export, provinces and producers are expected to fully serve the national domestic market, yet not create surpluses. As an incentive to supply the national market, provinces are encouraged to fill at least 97% of their quota allocation.

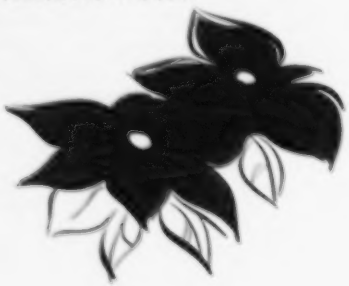
After a slow start in the new Dairy Year, Saskatchewan has not gained any momentum to achieve the minimum 97% requirement. As you will read in the Update, November proved to be a disappointing month, with little progress in achieving the 97% target.

With a cumulative total production of only 95.75% for the first four months, the province is at risk of having a portion of its quota allocation suspended if current trends continue. Suspended quota would be reallocated to other provinces that are capable of producing this quota during the balance of the Dairy Year to ensure the market is supplied.

The impact of any suspended quota will be felt by those producers who filled less than 97% of the individual six month quota allocation, or who did not swap out sufficient quota to be above 97% by January 31, 2006.

As a producer myself, I can appreciate the difficulty in trying to enhance production over a short time frame. Nevertheless, the Board urges you to seriously review your production management situation and do whatever possible to improve your production performance. If that is not possible, look to swap out sufficient quota. We at the Board stand ready to help you make any management decisions which may be required.

On behalf of other Milk Control Board Members and Board Staff, I want to wish you a very, Merry Christmas and a most successful New Year.



QUOTA EXCHANGE

The fourth butterfat Quota Exchange of the 2005-2006 dairy year was conducted on December 15, 2005. The market-clearing price for Unused Quota Exchange was **$63.00**. There was no market-clearing price established for Used quota. The results of the December 2005 Quota Exchange are outlined in the following Tables.

The next monthly Quota Exchange for the 2005-2006 dairy year will be held on January 16, 2006. All offers to sell and bids to purchase quota through the Quota Exchange must be received at the Board office by midnight, January 6, 2006. The Board recommends that offers and bids be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary.

Just a reminder to producers that when making bids on the Quota Exchange, the price on offers to sell quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Exchange.

Conversely, the price on offers to purchase quota is the maximum price that the producer is prepared to pay for that quota. Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Exchange.

The clearing price is established at the price where the smallest difference exists between the accumulated volume offered for sale and the accumulated volume bid to purchase. To determine the clearing price of Total Production Quota, the bids to buy may be adjusted to five percent of annual production quota issued. This is necessary to avoid price distortion from excessively large bids.

TABLE I

UNUSED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	$ 63.00
Kilograms offered to Purchase – total	6,500
Kilograms offered to purchase at 5% adjustment	——
Kilograms offered to Sell	7,441
Kilograms sold	657
Number of Producers	
- offered to purchase	5
- purchased quota	2
- offered to sell	5
- sold quota	4

UNUSED QUOTA EXCHANGE

Price ($/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
50.00	1	1	100	100	-6,400	6,500	0	5	0
54.46	2	3	57	157	-6,343	6,500	0	5	0
60.00	0	3	0	157	-6,343	6,500	1,000	5	1
61.00	0	3	0	157	-5,343	5,500	2,500	4	1
62.01	0	3	0	157	-2,843	3,000	1,000	3	1
63.00	**1**	**4**	**500**	**657**	**-1,343**	**2,000**	**0**	**2**	**0**
65.00	1	5	6,784	7,441	5,441	2,000	1,000	2	1
70.00	0	5	0	7,441	6,441	1,000	1,000	1	1

TABLE II

USED QUOTA EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$ ——**
Kilograms offered to Purchase – total	**——**
Kilograms offered to Sell	**——**
Kilograms sold	
Number of Producers	
- offered to purchase	
- purchased quota	
- offered to sell	
- sold quota	

USED QUOTA EXCHANGE

Price ($/kg b.f.)	No. of Sellers	Cumulative Sellers	Kgs b.f. offered for sale	Cumulative sales	Cumulative Sales less Cumulative purchases	Cumulative purchases	Kgs b.f. offered to purchase	Cumulative Buyers	No. of buyers
------	0		0				0		0

QUOTA SWAP EXCHANGE

The Quota Swap Exchange was conducted on December 15, 2005. The market-clearing price was **$3.25**. The results of the Quota Swap Exchange are outlined in the following Table.

The next monthly Quota Swap Exchange will be held on January 16, 2006. All offers to swap quota through the Quota Swap Exchange must be received at the Board office by midnight, January 6, 2006. **The Board recommends that offers and bids to swap be submitted well in advance of the deadline date to ensure adequate time for corrections, if necessary.**

Just a reminder to producers that when making bids on the Quota Swap Exchange, the price on offers to swap out unused quota is the minimum price that the producer is prepared to accept for that quota. Only if the market-clearing price is equal to or greater than the producer's minimum price will that producer qualify for participation in the Quota Swap Exchange.

Conversely, the price on offers to swap in unused quota is the maximum price that the producer is prepared to pay for that quota. Only if the market-clearing price is equal to or less than the producer's maximum price will that producer qualify for participation in the Quota Swap Exchange.

The clearing price is established at the price where the smallest difference exists between the accumulated volume offered to swap out and the accumulated volume offered to swap-in.

TABLE III

QUOTA SWAP EXCHANGE (per kilogram of butterfat)

Market Clearing Price per kilogram of butterfat	**$3.25**
Kilograms offered to swap in	**1,700**
Kilograms offered to swap out	**15,250**
Kilograms swapped	**500**
Number of Producers	
- offered to swap in	**4**
- swapped in quota	**1**
- offered to swap out	**5**
- swapped out quota	**1**

QUOTA SWAP EXCHANGE

Price ($/kg b.f.)	No. of Sellers (swap out)	Cumulative Sellers (swap out)	Kgs b.f. offered to swap out	Cumulative swaps out	Cumulative swaps out less Cumulative swaps in	Cumulative purchases (swap in)	Kgs b.f. offered to swap in	Cumulative Buyers (swap in)	No. of buyers (swap in)
3.00	0	0	0	0	-1,700	1,700	1,200	4	3
3.25	**1**	**1**	**2,000**	**2,000**	**1,500**	**500**	**0**	**1**	**0**
4.00	2	3	10,250	12,250	11,750	500	500	1	1
4.50	1	4	1,000	13,250	13,250	0	0	0	0
5.00	1	5	2,000	15,250	15,250	0	0	0	0

BUTTERFAT PRODUCTION AND COMPONENT PRICING, NOVEMBER 2005

Butterfat production for November 2005 totalled approximately 664,993 kilograms. This was approximately .17% lower than November 2004 shipments. **For the first four months of the 2005-2006 dairy year, Saskatchewan's allocation of Total Production Quota totalled approximately 2,783,517 kilograms. Cumulatively, in the first four months, the province has shipped 95.75% of that amount.**

Please note Milk Control Board policy has been changed so that it is not mandatory for producers to achieve 97% in the first six months. However, there is a risk to producers

who do not achieve 97% after six months, that being, individual producer quota suspension for the entire dairy year if the province as a whole does not achieve 97% in the first six months. If the province is over 97% at the end of the first six months, producers will not have their quota suspended even if they have not reached 97% of personal quota allocation.

The weighted average component tests and prices for the province in November are indicated in Table IV.

TABLE IV

Components	Average Test	Price per kilogram Class 1 to 5
Butterfat	3.8804	$9.4277
Protein	3.3782	$6.4277
Other Solids (S.N.F.)	5.6737	$0.9716

Based on the average component tests for the province, the average price received was $64.0611 per hectolitre.

Dairy year to date 4m (over quota) holdings are $1,525,000.

SASKATCHEWAN MILK POOL RESULTS November 2005

TABLE V

Milk Sale Revenue	$ 11,694,522.46
Western Milk Pool	$ -627,599.65
Dairy Farmers of Canada Skim Off	$ -21,232.38
Plant of Last Resort Service	$ -67,525.06
Total Pool Value	**$ 10,978,165.37**

CLASS I PRICE INCREASE – January 1, 2006

The Alberta Cost of Production formula is the pricing mechanism for targeting the Western Milk Pool Class 1 price. The Alberta Energy and Utilities Board (AEUB) considers this formula a useful guide to assist it in the exercise of its discretion in prescribing the minimum price of Class 1 milk. On December 15, 2005, the AEUB announced the price for Class 1 milk in Alberta increased by $0.98 per hl. effective January 1, 2006. Saskatchewan will increase the Class 1 price accordingly.

SUPPORT PRICE INCREASES – FEBRUARY 1, 2006

The Canadian Dairy Commission (CDC) recently announced that the support price for skim milk powder will increase from $5.7282 to $5.8337 per kilogram. The support price for butter will remain unchanged at $6.8695 per kilogram.

Support prices are the prices at which the CDC buys and sells butter and skim milk powder to balance seasonal supply and demand changes on the domestic market.

The CDC indicated that the higher support price should translate into an increase of 1.79 cents per litre (2.6%) for milk used to make products such as yogurt, cheese, butter and skim milk powder. Provincial Boards then use these support prices as a reference to price milk sold to processors who manufacture various industrial products.

These new support prices reduce the margin received by processors for the skim milk powder purchased from the CDC under various programs by 0.85 cents per litre.

CANADIAN DEMAND FOR INDUSTRIAL MILK (MSQ)

The Canadian Dairy Commission (CDC) calculates the monthly demand for milk used to manufacture industrial milk products. Changes in national demand, along with variations in butter stocks held by the CDC form the basis of the trigger mechanism used to adjust the industrial portion of producers' quota (MSQ). A similar trigger mechanism is employed at the regional level to adjust the fluid portion of producers' fluid quota. Together, the fluid and industrial quotas represent the total production quota (TPQ) held by individual producers at any one time.

The formula for adjusting the MSQ portion of producer quota triggers a change (up or down) following two consecutive monthly changes to the demand base of more than 0.50%, (plus or minus). If the changes are greater than 0.50% (plus or minus), quota is adjusted at the beginning of the next month by the amount of change experienced by the most recent month.

The most recent changes to the formula are as follows: October -0.61%; November -0.74%.

Since the formula recorded a change of more than -0.50% for the two consecutive months, the formula triggered a reduction in MSQ. The CDC then undertakes calculations to determine a final reduction in MSQ for individual provinces, taking into account factors such as skim off, domestic requirements and exports. It then calculates a new TPQ for each province. Based on these calculations**, effective December 1, 2005, our provincial TPQ will be reduced by .19%. This reduction will be reflected on producer's individual quota licenses which will be mailed later this month.**

QUOTA MANAGEMENT TABLES

Please find enclosed your quota management results for November, 2005. These Tables indicate the percentage of each producer's quota allocation utilized as well as the kilograms of butterfat produced by these shipments.

The Board will continue to provide these Tables on a monthly basis. We hope this information will assist producers with their management decisions regarding the utilization of their butterfat quota.

If you have any questions concerning the information provided, please contact our office.

ACCOUNTING VALUES FOR CLASSES OF MILK – December 2005

TABLE VI

	Butterfat ($/kg)	Protein ($kg)	Other Solids ($/kg)
Class 1a	$5.3000	$5.4908	$5.4908
Class 1b	$5.3000	$6.6286	$6.6286
Class 1c	$5.3000	$44.50 (per hl. Skim milk)	
	Butterfat ($/kg)	**Protein ($/kg)**	**Other Solids ($/kg)**
Class 2	$7.2333	$5.1141	$5.1141
Class 3a	$7.2333	$11.9171	$0.7978
Class 3b	$7.2333	$11.6866	$0.7832
Class 4a, 4b, 4d & 4d(i)	$7.2333	$4.7347	$4.7347
Class 4a(i)	$7.2333	$1.4000	$1.4000
Class 4c	$7.2333	$4.0498	$4.0498
Class 4m	$0.00	$0.00	$0.00
Class 5a	$4.7395	$5.8341	$0.3740
Class 5b	$4.7395	$2.1574	$2.1574
Class 5c	$3.3740	$2.0000	$2.0000
Class 5d	**As determined by**	**the CDC**	

WESTERN CANADIAN DAIRY SEMINAR – RED DEER, ALBERTA

The 24th annual Western Canadian Dairy Seminar is being held March 7 – 10, 2006 at the Capri Hotel, Convention and Trade Centre in Red Deer, Alberta.

The theme for this year's conference is ***Strategies and Tools – Managing Tomorrow's Dairy Farm.*** The program is enclosed for your information.

The early registration date is February 6, 2006. Further details and on-line registration will be available on the website: http://www.wcds.afns.ualberta.ca/ . For anyone wishing further information, the conference coordinator is Joanne Morrison, and her contact information is: Phone: (780) 492-3236 Fax: (780) 492-5771 email: wcds@ualberta.ca .

Please consider attending this very informative dairy seminar.

QUOTA LISTING SERVICE

The Board offers a free quota listing service as part of its Newsletter. Anyone wishing to sell or purchase quota and/or cows or swap quota is welcome to contact the Board office at (306) 787-5319. All prices and negotiations will be independent of the Milk Control Board.

Swap Used Quota for Unused Quota

- Ken or Ed Klassen would like to swap approximately 3,500 kgs of used for unused quota. Contact Ken at (306) 229-4591 or Ed at (306) 227-9432.
- Tim @ Sovereign Colony (306) 882-2447 would like to swap 3000 kgs used for unused quota.
- Danny Hofer @ Box Elder Colony (403) 502-9997 would like to swap used for unused.
- Paul @ Hodgeville Colony, (306) 677-2232, Extension 6315, would like to swap approximately 1000 kgs used for unused quota.
- Philip @ Rosetown Colony, (306) 882-3112, Extension 709, would like to swap used for unused.
- Jim Ross (306) 697-2232 would like to swap used for unused.

Quota for Sale

- Cows and quota for sale. Contact Wes @ Rosthern Agencies (306) 232-5525 cell (306) 232-7725
- Holstein cows and quota. Call Perry or Preston Haanen @ (306) 329-4604 or 329-4981
- Quota and cows for sale (approx. 14,000 kgs). Call Jerome Fisher @ (306) 365-4674
- Cows and quota for sale. Call John or Vicki Thiessen @ (306) 946-2339
- Quota for Sale. Call Glen or Joy Hamm @ (306) 594-2855

For Sale

- Grade open and short bred heifers for sale
  - contact John or Vicki Thiessen @ (306) 946-2339
- Purebred supervised DHI cows and heifers
  - contact Mark Johnson (306) 725-4042
- Dairy Hay and 6 Holstein heifers to calve in October or November
  - contact Martin Sondergaard (306) 547-2205
- 17 two year old A.I. sired Holstein Heifers to start calving October 1
  - contact Del Mealing (306) 693-2543 cell (306) 681-8207

- 1995 Muller Bulk Tank 2000 gallon
  - contact Kevin Lischka at (306) 487-2663 or (306) 487-3227

- 20 head of young Holstein cows and bred heifers and 4 breeding age bulls
  - contact Les Fornwald at (306) 487-2784

- A Westfalian Systemat Tank 1000 gallon
  - contact Earl or Scott at Eaglewood Holsteins at (306) 329-4394

- Bred heifers for sale
  - contact Glenn Hamm (306) 594-2855

MILK CONTROL BOARD MEMBERS

Leonard Blocka, Chairman	Dairy producer
Dr. David Christensen	Dairy research/professor U of S
Joseph Guenther	Dairy producer
David Finlay	Dairy producer
Garf Stevenson	Consumer representative
Joanne Mortenson	Processor representative

For further information, please contact the Saskatchewan Milk Control Board office.

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MERRY CHRISTMAS
FROM THE
BOARD MEMBERS AND STAFF